

## **PUBLIC DISCLOSURE**

March 4, 1996

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Union State Bank  
29159  
10-56-0535

612 Pine Street  
Upton, Wyoming 82730

**Federal Reserve Bank of Kansas City  
925 Grand Avenue  
Kansas City, Missouri 64198**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the**

federal financial supervisory agency concerning the safety and soundness of this financial institution

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of Union State Bank prepared by Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of March 4, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** *This institution is rated Satisfactory.*

In a manner consistent with its resources and capabilities, Union State Bank's CRA performance is rated satisfactory. This satisfactory rating indicates the following: a reasonable loan-to-deposit ratio, location of a majority of loans within the bank's assessment area, a reasonable geographic dispersion of loans within the bank's assessment area, and a reasonable penetration of loans among individuals of different income levels (including low- and moderate-income) and farms of different sizes. These loans help meet the credit needs identified during the examination.

*The following table indicates the performance level of satisfactory with respect to each of the five performance criteria.*

SMALL INSTITUTION ASSESSMENT CRITERIA	UNION STATE BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the last examination		

## DESCRIPTION OF INSTITUTION

Union State Bank has one location in the town of Upton, Wyoming. The December 31, 1995 Report of Condition (ACall Report®) indicates total assets of \$17,040,000. The types of credit offered by the bank are as follows:

### Farm and Ranch Loan

Annual loans for operating expenses  
 Livestock loans, including feed and forage  
 Machinery and equipment  
 Short-term farm and ranch land real estate  
 Loans guaranteed by the Farmers Home Administration (these may include intermediate, 5- to 15-year terms)



### Business Loans

Business operations  
Inventory and floor plan  
Machinery and equipment loans  
Purchasing or carrying securities  
Construction  
Commercial real estate and land development  
Small Business Administration (these may include intermediate, 5- to 15 year terms)

### Consumer Loans

Vehicle and recreational  
Installment and single-payment for personal, family and household purposes  
Secured and unsecured loans  
Consumer goods  
Home improvement

### Residential Real Estate Loans

Conventional short-term real estate loans that do not qualify for the secondary market  
Construction loans to home builders  
Provide information and assist individuals on FHA loans through other lenders

The December 31, 1995 Call Report indicates the following distribution of the bank's loans:

<u>Loan Types</u>	<u>Amount In Thousands</u>	<u>Percent of Total Loans</u>
Agricultural loans	\$2,766	30
Real estate loans	2,448	27
Commercial loans	2,319	26
Consumer loans	1,507	17
Other loans and obligations	<u>35</u>	<u>&lt;1</u>
Total	<u>\$9,075</u>	<u>100%</u>



## **DESCRIPTION OF UNION STATE BANK'S ASSESSMENT AREA**

The bank's assessment area is Weston County, Wyoming. Three block numbering areas ("BNAs") are included in the county. Each BNA is considered a middle income geography, although low-, moderate-, middle- and upper-income individuals are represented in the population. The four income levels are based upon the state, non-metropolitan statistical area median family income of \$31,084. The bank primarily serves the town of Upton and the surrounding towns which include Newcastle, Morrisey, Clareton, Rochelle, Hampshire, Osage and Four Corners. According to the 1990 census data, the population of Weston County and Upton approximated 7,500 and 1,000, respectively. Community contacts indicated the population has stayed relatively stable. As younger families have moved out of the area, a more senior population has relocated to the area. Community contacts indicated credit needs are being met.

The economy of the Upton area is based on agriculture and the mining of bentonite and coal. Livestock ranches comprise most of the bank's assessment area. Bentonite mining has the largest effect on the Upton economy with American Colloid Company located about two miles from Upton. Oil well servicing and drilling is also prevalent in the area. Upton serves as one of the bedroom communities for Gillette, Wyoming, 50 miles east of Upton, where coal mining is the largest industry.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Union State Bank's performance under the CRA is considered satisfactory. The bank's lending levels reflect responsiveness to the most pressing community credit needs. This is evident by the farm and motor vehicle loans, which comprise the largest components of the bank's lending activity.

The performance tests for small banks include an assessment of the bank's total loans as a percent of total deposits; an evaluation of loan volume within the assessment area; an assessment of geographic dispersion of loans throughout the assessment area; an evaluation of lending activity to borrowers of different income levels and businesses and farms of different sizes; and an assessment of the bank's responsiveness to complaints. The bank's performance under these tests is addressed below.

### Loan-to-Deposit Ratio Analysis



The loan-to-deposit ratio for Union State Bank is satisfactory given the bank's size and financial condition and the credit needs of the assessment area. The bank's 1995 quarterly average loan-to-deposit ratio was 64 percent. This ratio is reasonable compared to four similar-sized institutions (\$10 million to \$25 million in total assets) in Wyoming. The similar-sized banks' loan-to-deposit ratios ranged between 38 percent and 72 percent. The bank's loan-to-deposit ratio compared favorably to the loan-to-deposit ratio of 59 percent for banks located in a non-metropolitan statistical area in the Tenth Federal Reserve District.

#### Lending in Assessment Area

A substantial majority of the bank's total loan originations are located within the bank's assessment area. The two major loan types sampled during the examination included 26 consumer motor vehicle and 25 farm loans. Ninety-one percent of the consumer motor vehicle loans, and 76 percent of farm loans sampled were in the bank's assessment area. Collectively 84 percent of the total number of loans sampled were in the bank's assessment area. Additionally, 75 percent of the dollar volume of loans was originated within the bank's assessment area.

#### Lending to Borrowers of Different Incomes and to Farms of Different Sizes

An analysis of the motor vehicle loan sample was completed during the examination. The analysis compared the median family income figure for the area to the borrowers' reported income. This analysis shows a favorable penetration among individuals of different income levels within the bank's assessment area.

DISTRIBUTION OF BORROWER BY INCOME LEVEL FOR CONSUMER MOTOR VEHICLE LOANS SAMPLED		
Income Category	Percentage of Population	Percentage of Motor Vehicle Loan Borrowers
Less than 50 percent of the area family income median	17	38
At least 50 percent but less than 80 percent of the area family median income	19	33
At least 80 percent and less than 120 percent of the area family median income	34	29
120 percent or more of the area family median income	30	0

DISTRIBUTION OF BORROWER BY INCOME LEVEL  
FOR  
CONSUMER MOTOR VEHICLE LOANS SAMPLED

TOTAL	100%	100%
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Farm loans were evaluated based on the borrowers' reported cash flows. The distribution of loans among farms of different sizes is favorable for lower income borrowers. This data is shown in the following table.

DISTRIBUTION OF SMALL FARM LOANS BY BORROWER INCOME LEVELS		
Income Category		Percentage of Farm Loans
Gross annual revenues less than \$50,000		58
Gross annual revenues between \$50,000 and \$100,000		25
Gross annual revenues between \$100,000 and \$150,000		13
Gross annual revenues between \$150,000 and \$200,000		4
TOTAL		100%

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. The sample showed that the bank is penetrating all block numbering areas in its assessment area.

### Response to Complaints

The bank has not received any complaints about its performance in meeting assessment area credit needs since the last examination. Therefore, no assessment of the bank's performance in responding to complaints was performed.

### Compliance with Antidiscrimination Laws and Regulations

There were no substantive violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Minor violations of the Fair Credit Reporting Act and Regulation B (Equal Credit Opportunity Act) were noted during the examination and are easily corrected. These findings do not lower the bank's overall CRA rating.